

STATE OF WISCONSIN

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JOINT COMMITTEE ON FINANCE

MEMORANDUM

To: Members
Joint Committee on Finance

From: Senator Howard Marklein
Representative Mark Born

Date: June 30, 2023

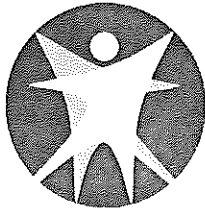
Re: DHS Report to JFC

Attached is a report on the overall condition of the Medicaid benefits budget and any changes to the program in the past quarter from the Department of Health Services, pursuant to s. 49.45(2n), Stats.

This report is being provided for your information only. No action by the Committee is required. Please feel free to contact us if you have any questions.

Attachments

HM:MB:jm



State of Wisconsin
Department of Health Services

Tony Evers, Governor
Kirsten L. Johnson, Secretary

June 30, 2023

JUN 30 2023

St. Finance

The Honorable Howard L. Marklein, Senate Co-Chair
Joint Committee on Finance
Room 316 East
State Capitol
P.O. Box 7882
Madison, WI 53707

The Honorable Mark Born, Assembly Co-Chair
Joint Committee on Finance
Room 308 East
State Capitol
P.O. Box 8952
Madison, WI 53708

Dear Senator Marklein and Representative Born:

As required under s. 49.45(2n), I am writing to provide an update for the fourth quarter of FY 23 on the overall condition of the Medicaid benefits budget and any changes to the program in the past quarter.

The Department projects a surplus in the Medicaid program of \$875.5 million GPR for the 2021-23 biennium. The table below reflects current estimates for Medicaid expenditures through FY 23, based on trends in enrollment, costs per enrollee, federal Medicaid financial participation, and third-party revenues.

Projected Medicaid Expenditures for the 2021-23 Biennium (in millions)				
	March 2023 Projection		June 2023 Projection	
	GPR	All Funds	GPR	All Funds
Act 58 Budgeted Level	\$6,918.3	\$25,584.6	\$6,918.3	\$25,584.6
Projected Expenditures	\$6,121.9	\$26,056.7	\$6,042.8	\$25,824.4
<i>Difference</i>	<i>\$796.4</i>		<i>\$875.5</i>	

The projected surplus is larger than the March projection. The factors that contributed to the improved projection include lower projected prescription drug and managed long-term care costs, partially offset by projected higher fee-for-service physicians and non-emergency medical transportation costs. The larger surplus is also attributable to higher prescription drug

rebate revenues and a larger than budgeted revenue transfer from the Permanent Endowment Fund to the Medicaid Trust Fund, which reduces GPR costs.

The surplus is still a projection at this time. The actual amount to be lapsed will be determined after the Department completes final reconciliation of payments and revenues from collections, premiums, rebates, and federal claims for FY 23 in July.

The projection maintains the same federal match assumptions as in our March report. The Families First Coronavirus Response Act (FFCRA) has provided states with an additional 6.2 percentage points for the federal Medicaid match rate for expenditures during calendar quarters in which the COVID-19 public health emergency is in place. Under FFCRA, states must also comply with continuous coverage requirements during the emergency declaration.

The federal fiscal year 2023 omnibus spending legislation enacted in December 2022 decouples the enhanced match rate and continuous coverage requirements from the COVID-19 public health emergency. Under the legislation, the enhanced match rate add-on will remain at 6.2 percentage points in the first quarter of calendar year 2023, then decrease to 5.0 percent in the second quarter, 2.5 percent in the third quarter, and 1.5 percent in the fourth quarter. Act 58, the 2021-23 biennial budget, assumed the enhanced matching rate would end in December 2021.

As with our previous reports, this projection assumes no GPR impact resulting from the enhanced federal matching funds for Medicaid home and community-based services (HCBS) made available through the American Rescue Plan Act (ARPA). The federal ARPA legislation enables state Medicaid programs to claim an extra 10 percentage points of federal Medicaid match on eligible HCBS expenditures from April 1, 2021 through March 31, 2022. As a condition of receiving the funds, the state must reinvest an equivalent amount in a plan to enhance, expand, and strengthen Medicaid HCBS and may draw down additional federal Medicaid matching funds on Medicaid-eligible reinvestment expenditures. CMS has provided updated guidance allowing states until March 31, 2025, to spend the reinvestment funds. Because of the reinvestment requirement, the enhanced HCBS match does not result in GPR savings in the current biennium.

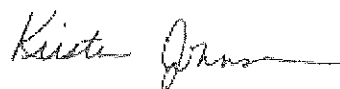
Finally, the estimate reflects the Committee's approval of the Department's request under s. 13.101(4) on June 22, 2023.

State Plan and Waiver Amendments

The appendix lists Medicaid state plan amendments and waiver amendments submitted to the federal government in the past quarter.

Please contact me if you have any questions about this report.

Sincerely,



Kirsten L. Johnson
Secretary-designee

Appendix

Proposed Medicaid State Plan Amendments and Waivers Submitted to the Federal Government for Approval

State Plan Amendments

Amendments 23-0012 and 23-0013 – Vaccine Counseling and CHIP Vaccine Counseling. These amendments align the Medicaid and CHIP state plans with federal requirements under the American Rescue Plan Act of 2021 (ARPA) to permanently add vaccine counseling as a reimbursable benefit. *Net annual fiscal effect: \$155,600 All Funds.*

Amendment 23-0014 – Physician-Administered Drugs Reimbursement. This amendment modifies state plan language related to physician-administered drug reimbursement policy, at the request of CMS, to accommodate variable pricing that may occur in Average Sales Price data used by the Medicaid program to set rates. This amendment is related to a temporary increase in Medicare Part B payments for certain biosimilars required by Section 11403 of the Inflation Reduction Act of 2022. *Net annual fiscal effect: None.*

Amendment 23-0015 – Medicaid Recovery Audit Contractor Program Exemption. This amendment continues the current DHS Office of Inspector General's (OIG) Medicaid Recovery Audit Contractor (RAC) exemption under 42 CFR § 455.516. The DHS OIG implements program integrity initiatives that function as a RAC equivalent under Wisconsin Medicaid. *Net annual fiscal effect: None.*

Amendment 23-0016 – Third-Party Payer Assurance. This amendment provides assurance that Wisconsin, per s. 49.475 (2) (ac), complies with federal law created by the Consolidated Appropriations Act of 2022 requiring states to have law in place preventing a third-party payer from denying a state's claim for payment solely on the basis that an item or service did not receive prior authorization under the rules of the third-party payer. *Net annual fiscal effect: None.*

Waiver Amendments

None.